

**REPORT OF THE AUDIT OF THE  
POWELL COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2012**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable James Anderson, Powell County Judge/Executive

Honorable Judy Potts, Former Powell County Judge/Executive

Members of the Powell County Fiscal Court

The enclosed report prepared by Ray, Foley, Hensley & Company, PLLC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, and each major fund of Powell County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements.

We engaged Ray, Foley, Hensley & Company, PLLC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Ray, Foley, Hensley & Company, PLLC evaluated Powell County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE POWELL COUNTY FISCAL COURT**

#### **For The Fiscal Year Ended June 30, 2012**

Ray, Foley, Hensley & Company, PLLC has completed the audit of the Powell County Fiscal Court for fiscal year ended June 30, 2012.

We have issued unqualified opinions, based on our audit on the governmental activities, business-type activities, and each major fund of Powell County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$5,156,550 as of June 30, 2012. The fiscal court had unrestricted net assets of (\$364,976) in its governmental activities as of June 30, 2012, with total net assets of \$5,116,794. In its business-type activities, total net cash and cash equivalents were \$39,756 with total net assets of \$39,756. The fiscal court had total debt principal as of June 30, 2012 of \$1,449,800 with \$205,128 due within the next year.

#### **Report Comments:**

- 2012-01 The Jail Fund Has A Deficit Balance Totaling \$402,161
- 2012-02 The County Did Not Maintain Adequate Time Records For All Employees
- 2012-03 Jail Fund Expenditures Should Not Exceed Budgeted Appropriations

#### **Deposits:**

The fiscal court's deposits were fully insured and collateralized by bank securities.



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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable James Anderson, Powell County Judge/Executive  
Honorable Judy Potts, Former Powell County Judge/Executive  
Members of the Powell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Powell County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Powell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Powell County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Powell County, Kentucky, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable James Anderson, Powell County Judge/Executive  
Honorable Judy Potts, Former Powell County Judge/Executive  
Members of the Powell County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Powell County, Kentucky's basic financial statements as a whole. The combining fund financial statements and budgetary comparison are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2013, on our consideration of Powell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of comments and recommendations, included herein, which discusses the following report comments:

- 2012-01 The Jail Fund Has A Deficit Balance Totaling \$402,161
- 2012-02 The County Did Not Maintain Adequate Time Records For All Employees
- 2012-03 Jail Fund Expenditures Should Not Exceed Budgeted Appropriations

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company, PLLC  
February 13, 2013

POWELL COUNTY OFFICIALS

For The Year Ended June 30, 2012

**Fiscal Court Members:**

James Anderson	County Judge/Executive
Donna Gabbard	Magistrate
Myers Arnett	Magistrate
John Barker	Magistrate
Ricky Creed	Magistrate
Eck Snowden	Magistrate

**Other Elected Officials:**

Robert King	County Attorney
Travis Crabtree	Jailer
Rhonda Barnett	County Clerk
Darlene Drake	Circuit Court Clerk
Danny Rogers	Sheriff
Dustin Billings	Property Valuation Administrator
Hondo Hearne	Coroner

**Appointed Personnel:**

Connie Crabtree	County Treasurer
Patricia Holland	Occupational Tax Collector

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**POWELL COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**



**POWELL COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,018,214	\$ 39,756	\$ 1,057,970
Total Current Assets	1,018,214	39,756	1,057,970
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	71,478		71,478
Land and Land Improvements	855,434		855,434
Buildings	2,299,717		2,299,717
Other Equipment	295,716		295,716
Vehicles and Equipment	591,572		591,572
Infrastructure	1,434,463		1,434,463
Total Noncurrent Assets	5,548,380		5,548,380
Total Assets	6,566,594	39,756	6,606,350
<b>LIABILITIES</b>			
Current Liabilities:			
Financing Obligations Payable	205,128		205,128
Total Current Liabilities	205,128		205,128
Noncurrent Liabilities:			
Financing Obligations Payable	1,244,672		1,244,672
Total Noncurrent Liabilities	1,244,672		1,244,672
Total Liabilities	1,449,800		1,449,800
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	4,098,580		4,098,580
Restricted For:			
Social Services	127		127
Protection to Persons and Property	88,034		88,034
General Health and Sanitation	103,598		103,598
Roads	1,191,431		1,191,431
Unrestricted	(364,976)	39,756	(325,220)
Total Net Assets	\$ 5,116,794	\$ 39,756	\$ 5,156,550

The accompanying notes are an integral part of the financial statements.

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**POWELL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2012**

**POWELL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,738,398	\$ 191,343	\$ 20,004	\$
Protection to Persons and Property	2,967,080	1,999,076	281,619	256,149
General Health and Sanitation	277,879			
Social Services	160,286			110,610
Recreation and Culture	2,000			
Roads	522,375		689,062	888,594
Airports	6,000			
Interest On Long-Term Debt	85,398			
Total Governmental Activities	5,759,416	2,190,419	990,685	1,255,353
Business-Type Activities:				
Jail Canteen	392,766	388,953		
Total Business-Type Activities	392,766	388,953		
Total Primary Government	\$ 6,152,182	\$ 2,579,372	\$ 990,685	\$ 1,255,353

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**POWELL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2012**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,527,051)	\$	\$ (1,527,051)
(430,236)		(430,236)
(277,879)		(277,879)
(49,676)		(49,676)
(2,000)		(2,000)
1,055,281		1,055,281
(6,000)		(6,000)
(85,398)		(85,398)
(1,322,959)		(1,322,959)
	(3,813)	(3,813)
	(3,813)	(3,813)
(1,322,959)	(3,813)	(1,326,772)
344,387		344,387
10,527		10,527
80,010		80,010
1,367,026		1,367,026
24,964		24,964
147,972		147,972
3,712	11	3,723
1,978,598	11	1,978,609
655,639	(3,802)	651,837
4,461,155	43,558	4,504,713
\$ 5,116,794	\$ 39,756	\$ 5,156,550

The accompanying notes are an integral part of the financial statements.

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**POWELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**

**POWELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 187,021	\$ 288,085	\$ 50,867	\$ 403,351
Interfund Receivables		366,528		265,987
Total Assets	<u>187,021</u>	<u>654,613</u>	<u>50,867</u>	<u>669,338</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund Payables	65,987		453,028	113,500
Total Liabilities	<u>65,987</u>		<u>453,028</u>	<u>113,500</u>
<b>FUND BALANCES</b>				
Restricted For:				
Social Services				
Protection to Persons and Property				
General Health and Sanitation	103,598			
Roads		635,593		555,838
Assigned To:				
Protection to Persons and Property				
Unassigned	17,436	19,020	(402,161)	
Total Fund Balances	<u>121,034</u>	<u>654,613</u>	<u>(402,161)</u>	<u>555,838</u>
Total Liabilities and Fund Balances	<u>\$ 187,021</u>	<u>\$ 654,613</u>	<u>\$ 50,867</u>	<u>\$ 669,338</u>

The accompanying notes are an integral part of the financial statements.

**POWELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2012**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 88,890	\$ 1,018,214
	632,515
<u>88,890</u>	<u>1,650,729</u>

	<u>632,515</u>
	<u>632,515</u>

127	127
88,034	88,034
	103,598
	1,191,431
729	729
	(365,705)
<u>88,890</u>	<u>1,018,214</u>
<u>\$ 88,890</u>	<u>\$ 1,650,729</u>

Total Fund Balances	\$ 1,018,214
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	9,206,349
Depreciation	(3,657,969)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	(205,128)
Financing Obligations	<u>(1,244,672)</u>
Net Assets Of Governmental Activities	<u>\$ 5,116,794</u>

The accompanying notes are an integral part of the financial statements.

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**POWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

**POWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,801,950	\$	\$	\$
In Lieu Tax Payments	9,010	44,410		
Excess Fees	24,964			
Intergovernmental	134,958	1,205,996	1,019,498	327,250
Charges for Services	1,278,586		47,735	
Miscellaneous	58,042	17,530	69,635	3,750
Interest	993	1,490	215	883
Total Revenues	<u>3,308,503</u>	<u>1,269,426</u>	<u>1,137,083</u>	<u>331,883</u>
<b>EXPENDITURES</b>				
General Government	642,542			15,443
Protection to Persons and Property	1,418,056		1,235,135	33,000
General Health and Sanitation	218,723		46,883	
Social Services	20,000			5,000
Recreation and Culture				2,000
Transportation Facilities and Services				
Roads		352,470		17,001
Airports				6,000
Debt Service	117,561	97,138	160,982	
Capital Projects	241,526	251,164	26,453	113,500
Administration	572,327	181,149	291,453	4,071
Total Expenditures	<u>3,230,735</u>	<u>881,921</u>	<u>1,760,906</u>	<u>196,015</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>77,768</u>	<u>387,505</u>	<u>(623,823)</u>	<u>135,868</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	527,107		619,080	57,671
Transfers To Other Funds	(731,750)	(187,834)	(70)	(85,000)
Total Other Financing Sources (Uses)	<u>(204,643)</u>	<u>(187,834)</u>	<u>619,010</u>	<u>(27,329)</u>
Net Change in Fund Balances	(126,875)	199,671	(4,813)	108,539
Fund Balances - Beginning (Restated)	247,909	454,942	(397,348)	447,299
Fund Balances - Ending	<u>\$ 121,034</u>	<u>\$ 654,613</u>	<u>\$ (402,161)</u>	<u>\$ 555,838</u>

The accompanying notes are an integral part of the financial statements.

**POWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2012**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 1,265	\$ 1,803,215
	53,420
	24,964
366,759	3,054,461
	1,326,321
	148,957
131	3,712
<u>368,155</u>	<u>6,415,050</u>
	657,985
55,958	2,742,149
	265,606
135,286	160,286
	2,000
	369,471
	6,000
	375,681
	632,643
	<u>1,049,000</u>
<u>191,244</u>	<u>6,260,821</u>
<u>176,911</u>	<u>154,229</u>
55,000	1,258,858
<u>(254,204)</u>	<u>(1,258,858)</u>
<u>(199,204)</u>	
(22,293)	154,229
111,183	863,985
<u>\$ 88,890</u>	<u>\$ 1,018,214</u>

The accompanying notes are an integral part of the financial statements.

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**POWELL COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**POWELL COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds	\$	154,229
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		632,648
Depreciation Expense		(406,321)
Assets Disposed Of, Net Book Value		(15,200)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations Principal Payments		195,283
Bond Principal Payments		95,000

Change in Net Assets of Governmental Activities	\$	655,639
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**POWELL COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2012**



**POWELL COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2012**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$     39,756
Total Assets	<u>39,756</u>
<b>Net Assets</b>	
Unrestricted	39,756
Total Net Assets	<u><u>\$     39,756</u></u>

The accompanying notes are an integral part of the financial statements.

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**POWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**POWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 388,953
Total Operating Revenues	<u>388,953</u>
<b>Operating Expenses</b>	
Cost of Sales	344,244
Educational and Recreational	8,865
Sales Tax	<u>3,528</u>
Total Operating Expenses	<u>356,637</u>
Operating Income	<u>32,316</u>
<b>Nonoperating Revenues</b>	
Interest Income	11
Inmate Refunds	<u>(36,129)</u>
Total Nonoperating Revenues	<u>(36,118)</u>
Change In Net Assets	(3,802)
Total Net Assets - Beginning	<u>43,558</u>
Total Net Assets - Ending	<u><u>\$ 39,756</u></u>

The accompanying notes are an integral part of the financial statements.

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**POWELL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**POWELL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Cash Receipts From Customers for Sales	\$ 388,953
Cash Payments to Vendors	(344,244)
Cash Payments for Educational and Recreation:	(8,865)
Cash Payments for Sales Tax	(3,528)
Net Cash Provided (Used) By Operating Activities	<u>32,316</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Refunds on Accounts	(36,129)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(36,129)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	11
Net Cash Provided (Used) By Investing Activities	<u>11</u>
Net (Decrease) in Cash and Cash Equivalents	(3,802)
Cash and Cash Equivalents - July 1	<u>43,558</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 39,756</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	<u>\$ 32,316</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 32,316</u></u>

The accompanying notes are an integral part of the financial statements.

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TO FINANCIAL STATEMENTS**

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**POWELL COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet-Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Powell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Based upon the application of GASB 14, there are no component units which merit consideration as part of the reporting entity.

**C. Powell County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Powell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Powell County, Kentucky.

- Circuit Court Clerk
- County Attorney
- County Clerk

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Powell County Elected Officials (Continued)**

- County Sheriff
- Property Valuation Administrator

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function. In compliance with GASB 54, the Ambulance Fund and the Disaster Recovery Fund previously reported will now be combined and presented in the General Fund.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance (LGEA) Fund - These funds may be spent for public safety, environmental protection, public transportation, health, recreation, libraries, social services, industrial and economic development, workforce training, and secondary wood industry development. In no event shall these funds be used for expenses relating to the administration of government. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Forest Fire Fund, Grants Fund, and Nada Housing Fund. In compliance with GASB 54, the county has determined to combine and present the CSEPP Fund, Disaster and Emergency Services Fund, Homeland Security Fund, Nature Preserve Fund and Generations Fund in the Grants Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, LGEA Fund, Forest Fire Fund, Grants Fund, and Nada Housing Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 3,000	3-25
Vehicles	\$ 3,000	3-5
Infrastructure	\$ 25,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Jail Canteen Fund. The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned. The County does not have a policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

Depreciation expense was charged to functions of the primary government as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 855,434	\$	\$	\$ 855,434
Construction In Progress		71,478		71,478
Total Capital Assets Not Being Depreciated	855,434	71,478		926,912
Capital Assets, Being Depreciated:				
Buildings	4,156,049			4,156,049
Other Equipment	565,545	36,198		601,743
Vehicles and Equipment	1,434,595	169,501	(40,000)	1,564,096
Infrastructure	1,602,078	355,471		1,957,549
Total Capital Assets Being Depreciated	7,758,267	561,170	(40,000)	8,279,437
Less Accumulated Depreciation For:				
Buildings	(1,766,806)	(89,526)		(1,856,332)
Other Equipment	(239,473)	(66,554)		(306,027)
Vehicles and Equipment	(869,312)	(128,012)	24,800	(972,524)
Infrastructure	(400,857)	(122,229)		(523,086)
Total Accumulated Depreciation	(3,276,448)	(406,321)	24,800	(3,657,969)
Total Capital Assets, Being Depreciated, Net	4,481,819	154,849	(15,200)	4,621,468
Governmental Activities Capital Assets, Net	<u>\$ 5,337,253</u>	<u>\$ 226,327</u>	<u>\$ (15,200)</u>	<u>\$ 5,548,380</u>
<u>Governmental Activities:</u>				
General Government			\$ 31,413	
Protection to Persons and Property			209,731	
General Health and Sanitation			12,273	
Roads, Including Depreciation of General Infrastructure Assets			152,904	
Total Depreciation Expense - Governmental Activities			<u>\$ 406,321</u>	

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 4. Long-term Debt**

**A. General Obligation Public Project Bonds, Series 2001**

On August 9, 2001, the fiscal court issued \$780,000 of General Obligation Public Project Bonds, Series 2001, for road projects. The bonds require that semiannual interest payments be made on February 1 and August 1 of each year commencing on February 1, 2002. One principal payment will be due on August 1 of each year commencing August 1, 2002. The bonds matured August 1, 2011.

**B. Kentucky Local Correctional Facilities Construction Authority**

The Kentucky Local Correctional Facilities Construction Authority (KLCFCA), an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The KLCFCA issued \$510,503 of revenue bonds at various interest rates, of which the county has agreed to pay \$262,452 principal and proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 2012, totaled \$50,385. Debt service requirements for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 15,686	\$ 2,940
2014	16,770	1,818
2015	17,929	619
Totals	<u>\$ 50,385</u>	<u>\$ 5,377</u>

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**C. Refinancing And Expansion Of Existing Detention Facility**

On July 3, 2003, the Powell County Fiscal Court entered into a financing agreement with Whitaker Bank to borrow \$475,000 for the purpose of refinancing and expansion of the existing detention facility. The agreement requires monthly payments of \$3,221 for 240 months to be paid in full on July 3, 2023. As of June 30, 2012, the principal balance outstanding was \$325,900. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 22,392	\$ 16,260
2014	23,572	15,079
2015	24,815	13,836
2016	26,124	12,528
2017-2021	152,796	40,463
2022-2024	76,201	4,324
Totals	<u>\$ 325,900</u>	<u>\$ 102,490</u>

**D. Improvements To Detention Facility**

On January 7, 2005, the Powell County Fiscal Court entered into a financing agreement with Whitaker Bank to borrow \$495,000 for the purpose of financing the improvements to the detention facility. The agreement requires monthly payments of \$3,308 for 240 months to be paid in full on January 7, 2025. As of June 30, 2012, the principal balance outstanding was \$367,050. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 21,290	\$ 18,405
2014	22,413	17,283
2015	23,595	16,101
2016	24,839	14,856
2017-2021	145,279	53,198
2022-2026	129,634	12,607
Totals	<u>\$ 367,050</u>	<u>\$ 132,450</u>

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**E. Detention Facility Improvements And Expansion**

On June 15, 2005, the Powell County Fiscal Court entered into a financing agreement with Whitaker Bank to borrow \$300,000 for improvements to the existing detention facility and the conversion of the existing senior citizens center to a holding facility for class D felons. The agreement requires monthly payments of \$2,064 for 240 months to be paid in full on June 15, 2025. As of June 30, 2012, the principal balance outstanding was \$229,633. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 12,445	\$ 12,319
2014	13,147	11,617
2015	13,888	10,876
2016	14,672	10,092
2017-2021	86,747	37,073
2022-2025	88,734	10,320
Totals	<u>\$ 229,633</u>	<u>\$ 92,297</u>

**F. Detention Facility Improvements And Expansion**

On October 2, 2006, the Powell County Fiscal Court entered into a financing agreement with People's Exchange Bank to borrow \$475,000 for the purpose of financing the improvements to the detention facility. The agreement requires monthly principal and interest payments beginning November 1, 2006, at a rate of 5%, with the full amount to be paid in full on October 1, 2016. As of June 30, 2012, the principal balance outstanding was \$361,832. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 18,315	\$ 20,897
2014	19,347	19,861
2015	20,438	18,772
2016	21,590	17,620
2017	282,142	5,606
Totals	<u>\$ 361,832</u>	<u>\$ 82,756</u>

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**G. Improvements and General Operating**

On June 29, 2007, Powell County Fiscal Court entered into a \$500,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust for the purpose of refinancing a short-term note and for the purpose of acquiring and financing certain improvements. The agreement requires variable monthly interest payments and yearly principal payments with the full amount to be paid in full on January 20, 2013. The principal balance of the agreement was \$115,000 as of June 30, 2012. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 115,000	\$ 3,059
Totals	<u>\$ 115,000</u>	<u>\$ 3,059</u>

**H. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 95,000	\$	\$ 95,000	\$	\$
Financing Obligations	<u>1,645,083</u>		<u>195,283</u>	<u>1,449,800</u>	<u>205,128</u>
Governmental Activities					
Long-term Liabilities	<u>\$1,740,083</u>	<u>\$</u>	<u>\$ 290,283</u>	<u>\$1,449,800</u>	<u>\$ 205,128</u>



**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.96 percent.

The County's required contributions for pension obligations to CERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$450,384, \$333,731, and \$291,549, respectively, which represents 100% of contributions due for fiscal years 2012, 2011, and 2010.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 6. Deferred Compensation**

The Powell County Fiscal Court participates in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 7. Insurance**

For the fiscal year ended June 30, 2012, Powell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Transfers From Restricted Funds**

Over the past several years the county has been transferring restricted money from the Road Fund and LGEA Fund to the Jail and Ambulance Funds. The county has repaid a portion of this money using various methods. As of June 30, 2012, the Jail Fund owes the Road Fund \$253,028, the Jail Fund owes the LGEA Fund \$200,000, the Ambulance Fund owes \$65,987 to the LGEA Fund, and the LGEA Fund owes the Road Fund \$113,500.

Due From	Due To	July 1, 2011	Increase/ (Decrease)	June 30, 2012
Jail	Road	\$ 253,028	\$	\$ 253,028
Jail	LGEA	200,000		200,000
Ambulance	LGEA	57,671	8,316	65,987
LGEA	Road		113,500	113,500
		<u>\$ 510,699</u>	<u>\$ 121,816</u>	<u>\$ 632,515</u>

**POWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 9. Interfund Transfers**

	General Fund	Road Fund	Jail Fund	LGEA Fund	Non-Major Funds	Total Transfers In
General Fund	\$	\$ 187,834	\$70	\$ 85,000	\$ 254,204	\$ 527,107
Jail Fund	619,080					619,080
LGEA Fund	57,671					57,671
Non-Major	55,000					55,000
Total Transfers Out	<u>\$ 731,751</u>	<u>\$ 187,834</u>	<u>\$ 70</u>	<u>\$ 85,000</u>	<u>\$ 254,204</u>	<u>\$ 1,258,858</u>

Reason for transfer:

To move resources for budgetary purposes, to the fund that will expend them.

**Note 10. Prior Period Adjustment**

The beginning net asset balance as of June 30, 2011, for governmental activities of Powell County Fiscal Court has been restated. We have increased the General Fund's beginning net asset balance by \$225,000 due to improperly including the short-term and long-term debt of the General Fund on the Governmental Funds Balance Sheet as of June 30, 2011, and \$13,696 for surplus adjustments.

**Note 11. Fund Balance - Deficit**

As of June 30, 2012, the Jail Fund had a deficit fund balance in the amount of \$402,161. This deficit was due to transfers from restricted funds (see note 9 above), and the resulting interfund payable.

	Jail
Cash Balance	\$ 50,867
Interfund Payables	(453,028)
Fund Balance	<u>\$ (402,161)</u>

**Note 12. Related Party Transactions**

The fiscal court expended \$17,035 for construction expenses for Nada Housing Project from Snowden Construction. Snowden Construction is owned by the son of Eck Snowden, a magistrate of Powell County Fiscal Court. Also, Eck Snowden owns Powell County Feed and Farm and the county purchased \$147 in dog food.

**Note 13. Subsequent Events**

The County has evaluated and considered the need to recognize or disclose subsequent events through February 13, 2013 which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2012, have not been evaluated by the County.

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**POWELL COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Supplementary Information**

**June 30, 2012**



**POWELL COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Supplementary Information**

**June 30, 2012**

	<b>Forest Fire Fund</b>	<b>Grants Fund</b>	<b>Nada Housing Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 729	\$ 88,034	\$ 127	\$ 88,890
Total Assets	<u>729</u>	<u>88,034</u>	<u>127</u>	<u>88,890</u>
<b>FUND BALANCES</b>				
Restricted For:				
Social Services			127	127
Protection to Persons and Property		88,034		88,034
Assigned To:				
Protection to Persons and Property	<u>729</u>			<u>729</u>
Total Fund Balances	<u>\$ 729</u>	<u>\$ 88,034</u>	<u>\$ 127</u>	<u>\$ 88,890</u>

The accompanying notes are an integral part of the financial statements.

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**POWELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Supplementary Information**

**For The Year Ended June 30, 2012**



**POWELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Supplementary Information**

**For The Year Ended June 30, 2012**

	<b>Forest Fire Fund</b>	<b>Grants Fund</b>	<b>Nada Housing Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 1,265	\$	\$	\$ 1,265
Intergovernmental		256,149	110,610	366,759
Interest		131		131
Total Revenues	<u>1,265</u>	<u>256,280</u>	<u>110,610</u>	<u>368,155</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,524	54,434		55,958
Social Services			135,286	135,286
Administration				
Total Expenditures	<u>1,524</u>	<u>54,434</u>	<u>135,286</u>	<u>191,244</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(259)</u>	<u>201,846</u>	<u>(24,676)</u>	<u>176,911</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds		55,000		55,000
Transfers To Other Funds		(254,204)		(254,204)
Total Other Financing Sources (Uses)		<u>(199,204)</u>		<u>(199,204)</u>
Net Change in Fund Balances	(259)	2,642	(24,676)	(22,293)
Fund Balances - Beginning	988	85,392	24,803	111,183
Fund Balances - Ending	<u>\$ 729</u>	<u>\$ 88,034</u>	<u>\$ 127</u>	<u>\$ 88,890</u>

The accompanying notes are an integral part of the financial statements.

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**POWELL COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**

**For The Year Ended June 30, 2012**



**POWELL COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**

**For The Year Ended June 30, 2012**

GENERAL FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
Taxes	\$ 1,541,000	\$ 1,603,243	\$ 1,801,950	\$ 198,707	
In Lieu Tax Payments	20,000	20,000	9,010	(10,990)	
Excess Fees	34,000	34,000	24,964	(9,036)	
Licenses and Permits	100	100		(100)	
Intergovernmental Revenue	156,969	156,969	123,949	(33,020)	
Charges for Services	64,100	64,100	87,398	23,298	
Miscellaneous	41,600	41,600	47,020	5,420	
Interest	2,000	2,000	698	(1,302)	
Total Revenues	1,859,769	1,922,012	2,094,989	172,977	
EXPENDITURES					
General Government	621,578	621,578	642,542	(20,964)	
Protection to Persons and Property	644,200	644,200	203,235	440,965	
General Health and Sanitation	234,313	296,556	218,723	77,833	
Social Services	24,000	24,000	20,000	4,000	
Debt Service	113,000	113,000	117,561	(4,561)	
Capital Projects	15,000	15,000	158,921	(143,921)	
Administration	542,498	752,151	572,327	179,824	
Total Expenditures	2,194,589	2,466,485	1,933,309	533,176	
Excess (Deficiency) of Revenues					
Expenditures Before Other					
Financing Sources (Uses)	(334,820)	(544,473)	161,680	706,153	
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	826,494	826,494	442,107	(384,387)	
Transfers To Other Funds	(499,226)	(499,226)	(757,671)	(258,445)	
Total Other Financing Sources (Uses)	327,268	327,268	(315,564)	(642,832)	
Net Changes in Fund Balance	(7,552)	(217,205)	(153,884)	63,321	
Fund Balance - Beginning (Restated)	7,552	(288,533)	201,976	490,509	
Fund Balance - Ending	\$ 0	\$ (505,738)	\$ 48,092	\$ 553,830	

**POWELL COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
**(Continued)**

**Reconciliation of the Budgetary Comparison Schedule to Statement of**  
**Revenues, Expenditures, and Changes in Fund Balances**

Total Revenues	\$ 2,094,989
Ambulance Fund Revenues	<u>1,213,514</u>
Revenues - Ending - Modified Cash Basis	<u>\$ 3,308,503</u>
Total Expenditures	\$ 1,933,309
Ambulance Fund Expenditures	<u>1,297,426</u>
Expenditures - Ending - Modified Cash Basis	<u>\$ 3,230,735</u>
Total Other Financing Sources (Uses)	\$ (315,564)
LGEA Fund Transfers	<u>110,921</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u>\$ (204,643)</u>
Fund Balance - Beginning (Restated)	\$ 201,976
Ambulance Fund	96,589
Disaster Recovery Fund	7,015
Restricted Transfers Payable	<u>(57,671)</u>
Fund Balance - Beginning - Modified Cash Basis	<u>\$ 247,909</u>
Fund Balance - Ending	\$ 48,092
Ambulance Fund	131,914
Disaster Recovery Fund	7,015
Restricted Transfers Payable	<u>(65,987)</u>
Fund Balance - Ending - Modified Cash Basis	<u>\$ 121,034</u>



**POWELL COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 50,000	\$ 50,000	\$ 44,410	\$ (5,590)
Intergovernmental Revenue	1,100,671	1,100,671	1,205,996	105,325
Miscellaneous	14,000	14,000	17,530	3,530
Interest	4,700	4,700	1,490	(3,210)
Total Revenues	<u>1,169,371</u>	<u>1,169,371</u>	<u>1,269,426</u>	<u>100,055</u>
<b>EXPENDITURES</b>				
Transportation Facilities and Services	2,000	2,000		2,000
Roads	587,940	587,940	352,470	235,470
Debt Service	97,000	97,000	97,138	(138)
Capital Purchases	210,000	210,000	251,164	(41,164)
Administration	251,051	318,051	181,149	136,902
Total Expenditures	<u>1,147,991</u>	<u>1,214,991</u>	<u>881,921</u>	<u>333,070</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>21,380</u>	<u>(45,620)</u>	<u>387,505</u>	<u>433,125</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	20,000	20,000		(20,000)
Transfers To Other Funds	(176,294)	(176,294)	(187,834)	(11,540)
Total Other Financing Sources (Uses)	<u>(156,294)</u>	<u>(156,294)</u>	<u>(187,834)</u>	<u>(31,540)</u>
Net Changes in Fund Balance	(134,914)	(201,914)	199,671	401,585
Fund Balance - Beginning	<u>134,914</u>	<u></u>	<u>201,914</u>	<u>201,914</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (201,914)</u>	<u>\$ 401,585</u>	<u>\$ 603,499</u>

**Reconciliation of the Budgetary Comparison Schedule to Statement of  
Revenues, Expenditures, and Changes in Fund Balances**

Fund Balance - Ending	\$ 401,585
Restricted Transfers Receivable	366,528
Restricted Transfers Payable	<u>(113,500)</u>
Fund Balance - Ending - Modified Cash Basis	<u>\$ 654,613</u>

**POWELL COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
**(Continued)**

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 991,300	\$ 991,300	\$ 1,019,498	\$ 28,198
Charges for Services	48,600	48,600	47,735	(865)
Miscellaneous	70,100	70,100	69,635	(465)
Interest	300	300	215	(85)
Total Revenues	1,110,300	1,110,300	1,137,083	26,783
EXPENDITURES				
Protection to Persons and Property	1,058,065	1,058,065	1,235,135	(177,070)
General Health and Sanitation	65,700	65,700	46,883	18,817
Debt Service	163,703	163,703	160,982	2,721
Capital Purchases	100	100	26,453	(26,353)
Administration	256,350	302,105	291,453	10,652
Total Expenditures	1,543,918	1,589,673	1,760,906	(171,233)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(433,618)	(479,373)	(623,823)	(144,450)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	423,618	423,618	619,080	195,462
Transfers To Other Funds			(70)	(70)
Total Other Financing Sources (Uses)	423,618	423,618	619,010	195,392
Net Changes in Fund Balance	(10,000)	(55,755)	(4,813)	50,942
Fund Balance - Beginning	10,000	(141,809)	55,680	(197,489)
Fund Balance - Ending	\$ 0	\$ (197,564)	\$ 50,867	\$ (146,547)
Reconciliation of the Budgetary Comparison Schedule to Statement of Revenues, Expenditures, and Changes in Fund Balances				
Fund Balance - Ending			\$ 50,867	
Restricted Transfers Payable			(453,028)	
Fund Balance - Ending - Modified Cash Basis			\$ (402,161)	

**POWELL COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 280,100	\$ 280,100	\$ 327,250	\$ 47,150
Miscellaneous	2,000	2,000	3,750	1,750
Interest	2,000	2,000	883	(1,117)
Total Revenues	284,100	284,100	331,883	47,783
<b>EXPENDITURES</b>				
General Government	15,906	15,906	15,443	463
Protection to Persons and Property	33,000	33,000	33,000	
General Health and Sanitation	2,000	2,000		2,000
Social Services	5,000	5,000	5,000	
Recreation and Culture	2,000	2,000	2,000	
Roads	186,500	186,500	130,501	55,999
Airports	6,000	6,000	6,000	
Administration	20,444	145,506	4,071	141,435
Total Expenditures	270,850	395,912	196,015	199,897
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	13,250	(111,812)	135,868	247,680
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	10,000	10,000	57,671	47,671
Transfers To Other Funds	(85,000)	(85,000)	(85,000)	
Total Other Financing Sources (Uses)	(75,000)	(75,000)	(27,329)	47,671
Net Changes in Fund Balances	(61,750)	(186,812)	108,539	295,351
Fund Balances - Beginning	61,750		181,312	181,312
Fund Balances - Ending	\$ 0	\$ (186,812)	\$ 289,851	\$ 476,663

**Reconciliation of the Budgetary Comparison Schedule to Statement of  
Revenues, Expenditures, and Changes in Fund Balances**

Fund Balance - Ending	\$ 289,851
Restricted Transfers Receivable	152,487
Restricted Transfers Payable	113,500
Fund Balance - Ending - Modified Cash Basis	\$ 555,838

**POWELL COUNTY**  
**NOTES TO OTHER INFORMATION**

**June 30, 2012**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

General Fund expenditures exceeded budgeted appropriations for General Government by \$20,964, Debt Service by \$4,561, and Capital Projects by \$143,921.

Road Fund expenditures exceeded budgeted appropriations for Debt Service by \$138.

Jail Fund expenditures exceeded budgeted appropriations for Protection to Persons and Property by \$177,070, Capital Projects by \$26,353, and total expenditures by \$171,233.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable James Anderson, Powell County Judge/Executive  
Members of the Powell County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Powell County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 13, 2013. Powell County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Powell County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Powell County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Powell County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Powell County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Powell County's financial statements as of and for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendation as items 2012-01, 2012-02, and 2012-03.

The Powell County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

*Ray, Foley, Hensley & Company*

Ray, Foley, Hensley & Company  
February 13, 2013



**POWELL COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2012**



**POWELL COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2012**

**STATE LAWS AND REGULATIONS:**

**2012-01    The Jail Fund Has A Deficit Balance Totaling \$402,161**

The Powell County Fiscal Court transferred restricted money from the Road and the Local Government Economic Assistance (LGEA) funds to the Jail and Ambulance funds. A schedule of transfers from restricted accounts and calculation of deficit fund balances is as follows:

<u>Due From</u>	<u>Due To</u>	<u>July 1, 2011</u>	<u>Increase/ (Decrease)</u>	<u>June 30, 2012</u>
Jail	Road	\$ 253,028	\$	\$ 253,028
Jail	LGEA	200,000		200,000
Ambulance	LGEA	57,671	8,316	65,987
LGEA	Road		113,500	113,500
		<u>\$ 510,699</u>	<u>\$ 121,816</u>	<u>\$ 632,515</u>

	<u>Jail</u>
Cash Balance	\$ 50,867
Interfund Payables	(453,028)
Fund Balance	<u>\$ (402,161)</u>

KRS 42.455 (2), (3), and (4) specifically prohibits the expenditure of LGEA funds for administration of the government and also states coal impact counties must expend 100% of funds in transportation. The fiscal court used a portion of the coal impact funds for expenditures other than transportation. These non-allowable expenditures are due back to the LGEA Fund to be expended for transportation. Also, the Road Fund is restricted for transportation, with the exception of the amount calculated on the Road Fund Allocation Worksheet. The expenditures exceeded the budgeted amount that could be used for purposes other than transportation during the fiscal year. As a result, the Road Fund is due the amount that was expended in excess of the allowable allocation.

We recommend that the fiscal court seek guidance from the Department for Local Government and the County Attorney on the necessary actions to be taken to eliminate deficit fund balances.

*County Judge/Executive James Anderson's Response: We are implementing a plan to decrease our deficit fund balances.*

**POWELL COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

STATE LAWS AND REGULATIONS: (Continued)

2012-02 The County Did Not Maintain Adequate Time Records For All Employees

Adequate timesheets were not maintained for all employees. During our audit procedures, we found one employee, a custodian, did not have a timesheet. Also, timesheets maintained for the county treasurer, finance director, and road supervisor did not have the proper supervisor approval signature. KRS 337.320 says every employer shall keep record of the hours worked each day and each week by each employee and shall be kept on file for at least one year. Timesheets should be kept for payroll verification to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. The employee and the appropriate supervisor should sign all timesheets. We recommend the county require employees to include all hours worked on their timesheets, require all timesheets to have evidence of supervisor approval, and maintain annual and sick leave balances.

*County Judge/Executive James Anderson's Response: In the future we will make sure to sign off on time records for employees.*

2012-03 Jail Fund Expenditures Should Not Exceed Budgeted Appropriations

During our audit we noted that the Jail Fund budget was overspent by \$171,233 due primarily to expenditures for Protection to Persons and Property. Per KRS 68.300, any expenditure over the budget shall be void and illegal. In the future, we recommend that the county properly approve budget amendments and transfer budgeted appropriations from other funds as needed to avoid overspending.

*County Judge/Executive James Anderson's Response: The Jail had unexpected repairs. In the future, we will try and monitor the jail fund closer & do transfers as needed.*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**POWELL COUNTY FISCAL COURT**

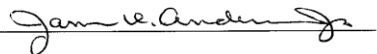
**For The Year Ended  
June 30, 2012**

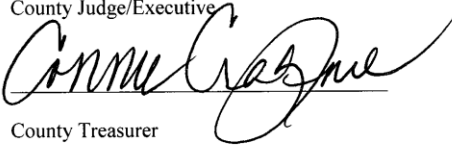


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
POWELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

The Powell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
County Judge/Executive

  
\_\_\_\_\_  
County Treasurer

